

# What do you mean “tax benefits”?

You need to know about *Tax Code Section 179...AND The Jobs and Growth Tax Relief Reconciliation Act of 2003*

What is it? How can it impact your bottom line? The tax code Section 179 allows a business the option to depreciate 100% of the cost of new equipment, in the year it was placed in service (verses depreciating the cost over it's MACRS life). The limit was recently raised to \$102,000 for 2004. Additionally, any equipment placed in service BEFORE January 1, 2005, is eligible for an additional 50% bonus depreciation on that equipment. Bottom line, You **improve** your cash flow, **reduce** your taxable income, and **get the equipment you need!**

## See How It Works

Equipment price	\$ 64,500.00
Section 179 Deduction	\$ -64,500.00
Remaining depreciable cost	\$ 0.00
New 50% tax deduction **	\$ 0.00
Remaining depreciable cost	\$ 0.00
Standard first year's depreciation at 20% **	\$ 0.00
Remaining depreciable cost	\$ 0.00
 Total first year tax deductions	 \$ 25,250.00
 Professional Solutions monthly payments on purchase of new equipment. (1 payment, due to 90 day skip)	 \$ -1,394.00 *

\*\* Not applicable in this example

## See How It Impacts Your Cash Flow

### Purchase Equipment- WITH Deductions

Practice Revenues	\$ 500,000
Operating Expenses (w/ payment)	\$ 301,394
Operating Margin	\$ 198,606
<b>Depreciation Deductions</b> (from above)	\$ 64,500
Income before taxes	\$ 134,106
Taxes (30%)	\$ 40,231
Net Income	\$ 93,874
<b>Positive cash flow to practice</b>	<b>\$ 158,374</b>

### NO Purchase - NO Deductions

Practice Revenues	\$ 500,000
Operating Expenses	\$ 300,000
Operating Margin	\$ 200,000
<b>Section 179 Deduction</b>	\$ 00
Income before taxes	\$ 200,000
Taxes (30%)	\$ 60,000
Net Income	\$ 140,000
<b>Positive cash flow to practice</b>	<b>\$ 140,000</b>

In this example, **you save \$19,766 in taxes** if you choose to purchase new equipment and take advantage of available depreciation deductions. Bottom Line, you **get a new piece of equipment** (and the benefits and revenue it produces), and **\$18,374 in additional cash flow for the year.**

*\* Based on a \$75.00 Doc. Fee, no \$ down, 90-day skip, then, 60-month \$1.00-Out payment structure. Vestinular Technologies advises you to consult with your tax advisor and/or accountant to be sure you are eligible for the tax benefits mentioned above. This illustration is not to be construed as constituting tax or financial advice by Vestibular Technologies. This flyer is for informational purposes only.*



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